



Federal Communications Commission

Eligible Telecommunications  
Carrier Issues

July 10, 2008

**You Rule.**

# OVERVIEW

- Virgin Mobile USA, L.P. is seeking limited designation as an Eligible Telecommunications Carrier (ETC) to enable it to participate in the Lifeline program.
  - Virgin Mobile has sought forbearance from the facilities-based requirement contained in Section 214(e)(1)(A) of the Act.
  - Virgin Mobile has filed petitions for ETC designation in six states.
  - Virgin Mobile will not seek high-cost support funding.
- Participation in the Lifeline program would enable Virgin Mobile to offer Lifeline-subsidized and discounted services and handsets to eligible low-income consumers.
- Virgin Mobile will accept all of the ETC conditions imposed by the FCC on TracFone Wireless.
- There has been almost no opposition to Virgin Mobile's requests.



# VIRGIN MOBILE USA

- Began operation as a 50/50 joint venture of Sprint Nextel and Sir Richard Branson's Virgin Group in July 2002.
- Pioneered the mobile virtual network operator model in the United States.
- Since commencing service, Virgin Mobile has become the seventh largest wireless carrier in the United States with over five million customers.
  - Many Virgin Mobile customers are from lower-income households that previously lacked any access to an attractive wireless service.
  - Many Virgin Mobile customers are lower-usage customers.
    - Average Virgin Mobile customer ARPU = approx. \$20/month.
    - Average postpaid customer ARPU = approx. \$50/month.



# SIGNIFICANT ACHIEVEMENTS

- Recognized by J.D. Power and Forrester for outstanding service, customer satisfaction and customer care.
  - In both 2006 and 2007, Virgin Mobile was the sole recipient of the J.D. Power and Associates award for Wireless Prepaid Customer Satisfaction.
  - 92% customer satisfaction rate.
  - 91% of customers would recommend service to a friend.
  - PC Magazine awarded Virgin Mobile its Readers Choice award in 2006 and 2007.
- Over 40,000 distribution points and 140,000 Top-Up Card locations, including Wal-Mart, Target, K-Mart, Best Buy and Radio Shack.
  - Named Wal-Mart Supplier of the Year.



# VIRGIN MOBILE LIFELINE - BACKGROUND

- Virgin Mobile filed a Petition for Forbearance from enforcement of the Section 214(e)(1)(A) facilities requirement in December 2007.
- Petitions for ETC designation filed:
  - Massachusetts (June 2008); New York (December 2007); North Carolina (April 2008); Pennsylvania (December 2007); Tennessee: (April 2008); Virginia (December 2007).
- Virgin Mobile's ETC requests are identical to the requests of TracFone Wireless, which the FCC approved in April 2008.
  - Virgin Mobile will abide by all of the conditions placed on TracFone for approval of forbearance and ETC designation requests.



## VIRGIN MOBILE LIFELINE – ETC DESIGNATION

- Virgin Mobile's participation in the Lifeline program would serve the interests of its lower-income customers—the same customers that the USF program was designed to benefit.
  - 35 percent of Virgin Mobile's customers have household incomes below \$35,000.
- Virgin Mobile's prepaid service offerings are ideally suited to serve these customers with reliable and affordable service.
- ETC designation would drive wireless penetration rates higher in this underserved customer segment.
- The affordability of wireless services has become a challenge for many lower-income customers.
  - In a deteriorating economy, many existing wireless customers have to forego wireless services because they can no longer afford them.
  - Major postpaid carriers tightening credit standards, squeezing out lower-income customers.



## VIRGIN MOBILE LIFELINE – ETC DESIGNATION (cont'd)

- Designation of ETC status to Virgin Mobile should have minimal impact on USF expenditures and would not infringe on the FCC's recent decision to cap high-cost support.
- Unlike high-cost support, designation of multiple ETCs for Lifeline purposes has no adverse impact on Lifeline funding since Lifeline support is customer-specific.
- While reform efforts have properly focused on high-cost funding mechanisms, Virgin Mobile believes that the FCC should dedicate additional effort to fostering increased access by lower-income customers to telecommunications services, especially wireless services.



# VIRGIN MOBILE LIFELINE - CONCEPT

- Minutes: 150 anytime rollover minutes (no expiration).
  - \$0.20/additional minute.
  - \$0.10/text message.
- Price: Free to eligible customers.
- Extras: Free voice mail, call waiting, etc.
- Handset: Standard retail rates; free refurbished handset.
- Long-Term Contract: None.





# VIRGIN MOBILE LIFELINE - OUTREACH

- Virgin Mobile will implement the FCC's guidelines for outreach efforts to increase awareness of its Lifeline offer:
  - Social Service Agencies:
    - Target locations where consumers receive benefits that make them eligible for Lifeline.
    - Coordinate efforts with public and private assistance organizations.
    - Develop outreach efforts for non-English speaking consumers.
  - Retail:
    - Increase awareness of Lifeline offer at existing third-party retail outlets through brochures, starter guides, etc.
  - Existing Customers:
    - Raise customer awareness of Lifeline offer through targeted marketing (e.g., SMS, email).
  - Re\*Generation Partners:
    - Use charitable partners to distribute handsets and increase awareness.



# VIRGIN MOBILE LIFELINE - BENEFITS

- A recent MIT study demonstrates that mobile communications are a critical factor in improving the financial and social well-being of lower-income consumers.
  - ETC designation would enable these customers to receive the financial and social benefits associated with wireless service.
- Virgin Mobile's own internal research confirms that, in difficult economic times, one-half of its customers who terminated service did so for financial reasons, not to use a competitive service.
  - The USF Lifeline program would directly assist many existing Virgin Mobile customers to continue receiving uninterrupted wireless service.



# VIRGIN MOBILE LIFELINE - NEXT STEPS

- Virgin Mobile requests that the FCC expeditiously approve its pending Petition for Forbearance and ETC petitions.
- Expedited FCC approval will enable the company to finalize its business and marketing plans to enable the company to commence its Lifeline offering as soon as possible.

